



# OLR RESEARCH REPORT

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## **RETIRED TEACHERS HEALTH INSURANCE COVERAGE**

By: Judith Lohman, Assistant Director

You asked for an explanation of (1) how health insurance for retired teachers is funded and (2) any changes in funding made during the 2012 legislative session.

### **SUMMARY**

Health insurance for retired teachers is provided in two ways. The Teachers' Retirement Board (TRB) provides insurance through Medigap plans for retirees and spouses who are participating in Medicare Parts A and B. Retirees not participating in Medicare can receive health insurance from the school district where they were last employed before they retired. The local board plans are the same ones the boards provide to their active teachers.

The cost of the TRB and the local board plan premiums is shared among the state; retirees; and active teachers, who contribute 1.25% of their annual salaries to help fund retiree health insurance. Contributions collected from active teachers go into a separate account under the TRB's jurisdiction called the retired teachers health insurance premium account. The account balance is supplemented by investment earnings.

The cost sharing for retired teachers' health insurance is determined by law. For the TRB plans, the state and the special account each pay one-third of the cost of the basic TRB plan premium, while the retiree

pays the other third plus any difference between the basic plan premium and that of any optional plan he or she chooses. For local board plans, the TRB provides a monthly premium subsidy the cost of which is shared between the state and the special account. In most cases, the retiree pays the difference between the subsidy and the local plan's premium cost.

In 2012, the legislature made changes to (1) temporarily reduce the state's share of the cost of both the TRB plan premium and local plan subsidy and increase the share paid by the special account and (2) allocate the federal subsidy the TRB receives for providing prescription drug coverage for Medicare retirees to offset the cost of the state's share of the TRB plan premium. Neither of these changes affects the share paid by retirees.

### **TEACHERS' RETIREMENT BOARD PLANS**

Retired teachers who are eligible for Medicare Parts A and B (hospital and medical benefits) may receive coverage through the TRB, which provides a base plan and two higher-cost Medigap plans. The basic TRB plan includes hospital, medical, major medical, and prescription drug benefits.

The law requires retired teachers to pay one-third of the premium for TRB's basic plan. The special account (funded by contributions from active teachers) and the state General Fund must also each pay one-third. If a retiree chooses a plan that costs more than the basic plan, the retiree also pays the difference in the premium between the base and the higher-cost plans ([CGS § 10-183t](#)).

For 2012, a retiree's monthly payments for the three plans are:

- Medicare Supplement with prescriptions (base plan): \$124 per person, per month
- Medicare Supplement with prescriptions and dental: \$173 per person, per month
- Medicare Supplement with prescriptions, dental, vision, and hearing: \$180 per person, per month

The 2012 budget act and implementing legislation made one temporary and one permanent change in the statutory funding provisions for the TRB plan. Neither change affects the share paid by retirees.

1. [PA 12-104, § 21](#) temporarily overrides the statute to reduce the state's share to 25% and increase the share paid by the retired teachers' health insurance premium account to 42% for FY 13. The retirees' share is unchanged.
2. [PA 12-1, June 12 Special Session \(JSS\)](#), § 102, requires that, starting July 1, 2012, the federal subsidy TRB receives for providing drug coverage for TRB retirees under Medicare Part D be used offset the state's share of the TRB plan premium cost. This change permanently reduces the state's cost without affecting the retirees' share.

## **LOCAL BOARD PLANS**

Retired teachers who are not participating in Medicare Parts A and B can continue to participate in the health plan their last-employing board of education offers to its active teachers. The TRB provides a monthly subsidy to local school boards to offset retired teachers' local plan premiums. Sometimes a local board also makes a contribution to the cost of the premium, depending on collective bargaining agreements but, in most cases, retirees are responsible for paying the difference between the subsidy and the full premium. The subsidy is \$110 per person, per month for most retirees, and \$220 for retirees over age 65 who pay at least \$220 per person, per month in premiums.

The cost of the subsidy is shared between the General Fund and the retired teachers' health insurance account. By law, the state General Fund pays one-third of the subsidy and the account pays two-thirds. However, for FY 13 only, the legislature reduced the state's contribution to 25%, thus increasing the account's contribution to 75% of the subsidy ([PA 12-1, JSS, § 102](#)). Retirees' shares are unchanged. They are still responsible for the difference between the subsidy and the premium charged by the local board of education.

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